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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

EMPLOYEES' RETIREMENT SYSTEM OF  
THE PUERTO RICO ELECTRIC POWER  
AUTHORITY, Individually and on Behalf of  
All Others Similarly Situated,

Plaintiffs,

vs.

CONDUENT INC., ASHOK VEMURI, and  
BRIAN WEBB-WALSH,

Defendants.

Case No.:

Civil Action

**CLASS ACTION COMPLAINT**

Plaintiff, Employees' Retirement System of the Puerto Rico Electric Power Authority,  
by its attorneys, brings this class action on behalf of a Class consisting of itself and all other  
persons who purchased Conduent, Inc. common shares on the open market on a U.S. stock

exchange, during the Class Period February 21, 2018 through November 6, 2018.

Plaintiff alleges the following based upon personal knowledge as to itself and its own acts and upon information and belief as to all other matters. Plaintiff's information and belief is based on, among other things, the independent investigation of its undersigned counsel. This investigation included, but was not limited to, a review and analysis of: (a) Conduent's public filings with the Securities and Exchange Commission; (b) research reports by securities and financial analysts; (c) transcripts of Conduent's earnings conference calls and industry conferences; (d) other publicly available presentations by Conduent; (e) Conduent's press releases; (f) news and media reports concerning Conduent and other facts related to this action; (g) data reflecting the pricing and trading volume of Conduent common shares; and (h) other publicly available material and data, including as identified herein.

#### **PRELIMINARY STATEMENT**

1. Conduent was formed effective December 31, 2016 from a collection of businesses within the Xerox Corporation. Conduent was spun-off to Xerox shareholders in a ratio of one Conduent share for every five Xerox shares owned. Conduent's primary business is to run operations for clients, such as toll-booth collections.

2. Throughout 2017, Conduent and its two most senior officers (defendants herein) repeatedly represented that Conduent was going through a one-year transformation and would exit as a unified business with a cohesive information technology.

3. On February 21, 2018, the beginning of the Class Period, defendants represented to shareholders on a conference call that it had "made impressive progress towards transforming our company in almost every dimension, with every function and unit contributing in some way." Defendants repeated those representations in press releases and conference calls

throughout 2018.

4. These representations led to a two-day stock price increase of \$2.29 per share (or 14.3%), on February 21-22, 2018.

5. The truth however was revealed on November 7, 2018, when defendants acknowledged that Conduent had suffered reduced third quarter and projected fourth quarter operating results caused by “continued suboptimal performance from an inherited legacy technology vendor. The performance issue stem[s] from the vendor’s inability to deliver on service level agreements, lack of responsiveness to Conduent’s needs, and poorly structured contract which we inherited” and that an “outdated and historically under-invested legacy IT infrastructure has caused major disruptions to our operations and impacted clients and delivery performance.”

6. These true facts caused Conduent common stock to tumble \$5.60 per share to \$13.62, or down 29.1% on very heavy volume

7. Plaintiff, individually and on behalf of the Class, seeks damages attributable to the inflation in Conduent’s common stock attributable to defendants’ materially false and misleading statements during the Class Period.

### **JURISDICTION AND VENUE**

8. This action arises under Sections 10(b) (15 U.S.C. §78j(b)) and 20(a) (15 U.S.C. §78t(a)) of the Securities Exchange Act of 1934, 15 U.S.C. §78a et seq., and Rule 10b-5 (17 C.F.R. §240.10b-5) promulgated thereunder by the SEC, and is brought on behalf of investors who purchased Conduent common shares on the open market during the Class Period.

9. In connection with the acts alleged herein, the defendants directly or indirectly used the means and instrumentalities of interstate commerce, including the United States mails

and facilities of a national exchange.

10. Jurisdiction is conferred upon this Court by Section 27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1331. This action arises out of the laws of the United States. The Courts of the United States have exclusive jurisdiction of claims brought under the Exchange Act under 15 U.S.C. § 78aa.

11. This Court has personal jurisdiction over the defendants pursuant to Section 27 of the Exchange Act (15 U.S.C. §78aa) because defendants have sufficient contacts with the United States through their regular and substantial transaction of business therein and exercising jurisdiction over those defendants is reasonable.

12. Venue is proper in this District because Conduent maintained offices in this District during the Class Period and many of the acts and transactions constituting the violations of law herein complained of occurred within this District, including the preparation and dissemination of materially false and misleading financial statements and corporate documents.

### **PARTIES**

13. Plaintiff purchased Conduent common stock during the Class Period, as set forth in the accompanying Certification, and was damaged thereby.

14. Defendant Conduent is a New Jersey-based digital interactions company that describes itself as a “provider of business process services with expertise in transaction-intensive processing, analytics and automation. We serve as a trusted business partner in both the front office and back office, enabling personalized, seamless interactions on a massive scale that improve end-user experiences.” *See, e.g.*, 2017 Form 10-K filed March 1, 2018 at 1.

15. The following are examples of the types of services Conduent offers its customers (synopsized from its website):

Hertz – needed to develop and deploy an education solution to train new hires and develop future managers. CNDT provided a shared-services global learning management system.

South Dakota Dept of Health – needed a user-friendly, web-based system with functionality that would allow them to collect as much data in as short a time as possible. CNDT provided its Maven Disease Surveillance and Outbreak Management software.

Oakland CA – needed to improve the way people were able to pay parking tickets. CNDT rebuilt a pay-by-web option built a new pay-by-phone system.

A county in Tennessee – needed someone to conduct a dependent eligibility verification to make sure that their benefit spend was going to those that were truly eligible to participate in the plan. CNDT provided its Proof of Eligibility methodology for dependent verification.

Delaware Division of Child Support Enforcement – needed to update its 30-year old technology system. CNDT developed a new system.

Oklahoma State Firefighters Pension and Retirement System – needed to move from sending only paper checks to also offering funds being sent electronically. CNDT rolled out a system to offer the electronic payments.

16. Conduent became a public company on December 31, 2016, when it was spun-off from the Xerox Corporation.

17. Effective December 31, 2016, Xerox shareholders received one share of Conduent common stock for every five shares of Xerox stock they owned. Conduent started trading as a public company on January 3, 2017.

18. Defendant Ashok Vemuri has been the Chairman and Chief Executive Officer of Conduent since its inception as a public company. Vemuri is Conduent's primary spokesperson on investor conference calls, investor presentations, and in press releases.

19. Defendant Brian Webb-Walsh has been Conduent's Chief Financial Officer since its inception as a public company. Webb-Walsh is a frequent spokesperson on investor conference calls, investor presentations, and in press releases.

20. Defendants Vemuri and Webb-Walsh are referred to as “Individual Defendants.” Conduent, as a corporation, is charged with the actual knowledge of each of its senior officers, including each of the Individual Defendants. Each of the Individual Defendants’ statements alleged herein was made within the scope of his authority and is therefore chargeable against the Company.

### **CLASS ACTION ALLEGATIONS**

21. Plaintiff brings this action as a class action pursuant to Rules 23(a) and 23(b)(3) of the Fed. R. Civ. P. on behalf of itself and persons who purchased Conduent common stock on the open market on a U.S. stock exchange during the Class Period (February 21, 2018 through November 6, 2018). Excluded from the Class are Defendants, present or former executive officers of Conduent, and the Individual Defendants’ immediate family members (as defined in 17 C.F.R. § 229.404, Instructions (1)(a)(iii) and (1)(b)(ii)).

22. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes there are thousands of members of the Class. Conduent common stock was actively traded on the New York Stock Exchange throughout the Class Period.

23. Plaintiff will fairly and adequately protect the interests of the members of the Class. Plaintiff has retained competent counsel experienced in class action litigation under the federal securities laws to further ensure such protection; it is a member of the Class; its claims are typical of the claims of all Class members; and it does not have interests antagonistic to, or in conflict with, those of the Class.

24. A class action is superior to other available methods for the fair and efficient

adjudication of this controversy since a multiplicity of actions could result in an unwarranted burden on the Court system and could create the possibility of inconsistent judgments.

Moreover, a class action will allow redress for many persons whose claims would otherwise be too small to litigate individually. There will be no difficulty in the management of this action as a class action.

25. There are numerous questions of law and fact which are common to the Class and which predominate over any questions affecting individual members of the Class, including:

- (a) Whether the federal securities laws were violated by defendants' acts as alleged herein;
- (b) Whether the defendants misrepresented or omitted material facts concerning Conduent's technology and customer relations;
- (c) Whether defendants' statements omitted material facts necessary to make the statements made not misleading in light of the circumstances under which they were made;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether defendants engaged in perpetrating a manipulative and deceptive scheme and/or otherwise engaged in a fraudulent course of conduct;
- (f) Whether the prices of Conduent's common shares were artificially inflated; and
- (g) Whether members of the Class were damaged by virtue of their investments in Conduent common shares during the Class Period, and if so, the appropriate measure of damages.

## **SUBSTANTIVE ALLEGATIONS**

### **Background Facts – Conduent's Transformation Period**

26. Over the year prior to the Class Period, defendants acknowledged that Conduent was a disparate company that had been cobbled together from different parts of Xerox and was going through a transformation period.

### **Conduent's Fourth Quarter 2016 Operating Results and Conference Call**

27. On February 22, 2017, before the opening of trading, Conduent issued a press release reporting Conduent's fourth quarter and full-year 2016 operating results (albeit as part of Xerox). The Company reported 2016 revenues of \$6.408 billion, and fourth quarter 2016 revenues of \$1.514 billion. Defendant Vemuri was quoted in the press release as stating that Conduent's "near-term focus is on strengthening client relationships, completing the build-out of our management structure, and continuing the success of our strategic transformation program critical in reaching our margin expansion goals."

28. On the February 22, 2017 earnings call conducted shortly after the press release was issued, Vemuri, in his prepared remarks emphasized (at 2) that "our long-term ambition is to become a sustainable leader of this industry," which "will require outperforming on many dimensions, including but not limited to ... deploying technology leverage process capabilities and best-in-class people delivering best-in-class solutions." Vemuri added (at 2) that "As we conclude this important separation milestone, I have an even stronger conviction that we are focused on the right actions and changes to enhance Conduent's leadership position in the marketplace." *Id.*

29. Vemuri stated that Conduent's "[i]nitial focus areas includ[e] building our IP [intellectual property] infrastructure...." *Id.*

### **Conduent's First Quarter 2017 Operating Results and Conference Call**

30. On May 10, 2017, prior to the start of trading on U.S. securities markets, Conduent issued a press release reporting first quarter 2017 operating results. Vemuri was quoted in the press release as stating that "We made meaningful progress on a number of fronts in our first quarter as a stand-alone public company...."



31. Vemuri added on a conference call conducted on May 10, 2017 shortly after the issuance of the release:

During the first quarter, we achieved financial results in line with our expectations while making major strides in [starting] up our new company, refreshing the business model, developing a client-centric go-to-market strategy, focusing on our operating model and creating a One Conduent culture. Additionally, our strategic transformation continues to be on track, and I remain confident of our journey forward.

### **Conduent's Second Quarter 2017 Operating Results and Conference Call**

32. Conduent released second quarter 2017 operating results in a press release dated August 9, 2017, issued prior to the opening of the U.S. securities markets. Conduent reported revenue of \$1,496 million, a net loss of \$4 million, GAAP earnings per share of (\$0.03) and adjusted net income of \$36 million, defendant Vemuri was quoted in the press release as stating:

Our second quarter demonstrated meaningful progress towards building a profitable and growing company. We delivered adjusted earnings in-line with our expectations, advanced our cost savings initiatives, implemented our new go-to-market strategy and continued streamlining our operations. While we still have work ahead of us, particularly in our customer experience offering, we continue to drive operational excellence and deliver best-in-class service and experiences for our clients. We believe we are well positioned to achieve our strategic transformation goals and are making steady progress on creating a One Conduent culture.

33. Defendant Webb-Walsh added that:

Our 2017 financial targets remain unchanged as we continue to balance our cost savings and investment strategy.... While our revenue trajectory is under pressure, new business signings growth has been strong the last two quarters, which we expect will help improve our revenue trend over the medium term. In addition, free cash flow meaningfully improved compared with last year and we expect to see continued margin expansion in the back half of the year. Overall, we executed on our plan this quarter and believe we are well positioned for the second half of the year.

34. Conduent conducted a conference call with investors shortly following the issuance of the press release. On the call, defendant Vemuri stated:

This was a solid quarter for us. As you will see, we are getting traction from an aggressive plan, creating change across every facet of our company. Some of these changes are having an immediate financial benefit. Others will require more time. But we are encouraged by the progress we are making and, as a result, are reaffirming our full year guidance.

35. Vemuri emphasized that when Conduent separated from Xerox it was “an assortment of entities with an unfocused portfolio, redundant systems, inconsistent processes, and unreliable management information.” Since then, Vemuri stated, Conduent had “aggressively attacked internal issues and problem businesses with the fastest return on effort.”

36. Vemuri added on the call (at 3-5) that:

Conduent inherited a sprawling, fragmented, and costly operational structure that restrained our execution and competitiveness. Aligning our cost structure and operational footprint with industry benchmark is foundational to our turnaround plan. We are getting our arms around this opportunity and the results are starting to show. –

\* \* \*

Conduent is becoming a leaner, more focused organization enabling greater agility and sharper market execution. Strategic transformation is essential to this first phase of our turnaround plan. Our progress to date combined with the pipeline of future projects are key factors in our confidence to reaffirm our guidance for the full year.

\* \* \*

We are well on our way to driving the much needed transformation of the company.

### **Conduent’s Third Quarter 2017 Operating Results and Conference Call**

37. On November 8, 2017, prior to the opening of the U.S. securities markets, Conduent issued a press release reporting third quarter 2017 operating results. Defendant Vemuri was quoted in the press release as stating:

We delivered another solid quarter while rightsizing the company through divestitures and strategic actions, positioning us to amplify our core. In the third quarter, we made progress on contract remediation and improved our technology-led vertical go-to market strategy. Profitability in our commercial segment improved and we achieved strong renewal rates, pipeline growth and

improved delivery across our portfolio of offerings. We are progressing well on our path to building a sustainable, predictable and profitable enterprise that will be a leader in our industry.

38. Defendant Webb-Walsh added in the November 8, 2017 press release that:

Our third quarter results demonstrate progress in our strategic transformation initiative and the stabilization of our core business as we grew Adjusted EBITDA by 11% and 3% compared with Q2 2017 and Q3 2016, respectively.

39. In a conference call following the release of earnings, defendant Vemuri stated:

...I will share an update on our strategic transformation initiative. This is on track to deliver on our cumulative cost savings target of \$700 million by the end of 2018, supported with a robust pipeline of savings initiatives.... An aggressive adoption of automation technologies, combined with process standardization and more modern work models are combining to help us achieve these kinds of efficiencies.

40. On the call Vemuri represented that Conduent had made great strides in improving its information technology:

The inventorying and rationalization of our extensive portfolio of technology platforms has been a focus since our separation. During the third quarter, we finalized this work, and identified the 24 platforms around which we will build our business into the future. Over 60% of our business is delivered from platform-enabled services, and I see room for increasing that moving forward. We have earmarked a considerable investment for additional modernization and competitiveness, particularly around analytics and digitalization.

The highly fragmented structure we inherited, included a disjointed IT infrastructure that has impeded productivity and performance as an organization. During the third quarter, we made major strides in centralizing our technology ecosystem, including standardizing our internal systems, investing in tools and consolidating disparate internal platforms. Collectively, this work is contributing to a more agile, productive and contemporary work environment.

#### **Class Period Materially False and Misleading Statements**

41. By February 2018, defendants began to represent to investors that Conduent had exited the transformation phase and had cured inefficiencies caused by operating on multiple information resource platforms. However, as demonstrated by defendants' admissions on

November 7, 2018, those representations were false, and Conduent remained mired in inadequate technology and third-party agreements that it had been saddled with upon its divestiture from Xerox.

#### **Fourth Quarter 2017 Operating Results and Conference Call**

42. On February 21, 2018, prior to the commencement of trading on U.S. securities markets, Conduent issued a press release reporting full year and fourth quarter 2017 operating results. For the fourth quarter, Conduent reported revenue of \$1,493 million, net income from continuing operations of \$208 million, and GAAP diluted EPS from continuing operations of \$0.98.

43. The press release emphasized that Conduent had “[o]verachieved 2017 strategic transformation goals and [was] on track for 2018 savings.” The press release also stated that Conduent experienced in the fourth quarter 2017 “[s]trong cash flow from operations of \$237 million and adjusted free cash flow of \$205 million.”

44. Vemuri stated in the press release that Conduent was “right on track against our financial and operational game plan” and that Conduent had “aggressively addressed our cost structure to deliver meaningful improvements in our margins and cash flow.”

45. On the conference call shortly after the issuance of the press release, Vemuri added that “early results from our strategic changes indicate we are on the right path.... Given this progress, we entered 2018 with the confidence that we are on the right path to generate profitable growth as we come through this year.... At the same time, we made impressive progress towards transforming our company in almost every dimension, with every function and unit contributing in some way.”

46. In reaction to the fourth quarter 2017 earnings results and the representations on

the conference call, on February 21, 2018 Conduent common stock advanced \$1.87 per share or from \$15.99 to \$17.86 per share on trading volume of 7,256,380 shares. On February 22, 2018 Conduent stock rose by \$0.42 per share to \$18.28 per share, for a two-day gain of \$2.29 per share, or 14.3%.

**First Quarter 2018 Operating Results and Conference Call**

47. On May 9, 2018, Conduent issued a further press release reporting first quarter 2018 operating results. The headline of the press release read in large, bold letters:

**Strong Operational and Financial Performance Led by  
Commercial Segment; Executing on Portfolio Strategy with  
Improvement in Core Business**

48. For the 2018 first quarter, Conduent reported revenue of \$1.42 billion. Vemuri was quoted in the press release as stating: “We had a strong start to the year and continued to show improvement in our trajectory from both a financial and operational perspective.... In the first quarter, our Commercial revenues ... grew three percent as investment in our core is starting to yield results. Profitability improved across key segments with higher service line penetration, better pricing and deployment of platforms and software.”

49. On the conference call after the issuance of the press release, Vemuri added: “We’re off to a solid start to the year. We’re making strides across every facet of the company and are starting to see the return on the work we began last year.... Overall, I am very pleased with our progress in the first quarter.” Transcript at 2.

50. Vemuri added on the call that “Real estate and IT [information technology] remain large contributors to our transformation work and are progressing well. Consolidations across our locations, data centers and networks will continue as we come through 2018.” Transcript at 3.

51. With respect to existing contracts, Vemuri stated “we secured a major contract renewal for a multi-phased modernization project with a longstanding client in the transit industry that continues to rely on Conduent for innovative technology in design, installation, operation and key updates.... [W]e have the team, resources, and offerings to strengthen our position as a best-in-class provider of technology enabled business service solutions.” Transcript at 3.

52. Webb-Walsh added on the call (at 7): “we are aggressively modernizing our technology platforms with almost \$200 million of new investment that will incorporate new technologies like blockchain, cognitive learning and robotic process automation. An easily relatable example is our proprietary automated tolling platform which connects every aspect of the value chain involved in the collection, payment and service of tolling in our highway system.”

### **The June 8, 2018 Analyst Day Meeting**

53. On June 8, 2018, defendants hosted an Analyst Day conference. At the conference (tr. at 3-4) Vemuri misrepresented that “We have taken back our critical network infrastructure as well as our client facing applications from service providers to whom we had outsourced for better control and performance by ourselves”:

Our motto within Conduent is that we have only one of everything, including a single version of the truth. In our first year, we aggressively reduced redundant reporting systems, enabling more agile and data driven decision making.... We're also aggressively attacking our IT infrastructure with a goal of consolidating down to two primary data centers and a single network backbone by 2020. We have taken back our critical network infrastructure as well as our client facing applications from service providers to whom we had outsourced for better control and performance by ourselves.

### **Second Quarter 2018 Operating Results and Conference Call**

54. On August 8, 2018, prior to trading on the U.S. securities markets, Conduent

issued a further press release reporting earnings for the second quarter of 2018. The press release was entitled, again in bold, large letters:

**Strong Earnings Growth; Executing on Digital Interactions Strategy  
and Meaningful Progress on Portfolio Actions**

55. Vemuri was quoted in the press release as stating, “We delivered another strong quarter with continued growth in operating margin and adjusted EBITDA, while investing in our digital interactions and platform-based offerings. We expanded our new business pipeline and have achieved a consistent revenue baseline.... Our core remains on track to realize organic top-line growth by year-end.”

56. In the call after the issuance of the release, prior to commenting on Conduent’s operating results, Vemuri addressed “a matter that has been in the press recently around [Conduent’s] performance on a tolling contract with a state government agency.” Transcript at 2. Vemuri stated in this regard: “[I]ssues tend to arise in the implementation phase of the startup and ramp of a new tolling system, particularly one that involves transitioning, multiple legacy systems to a new and updated integrated state-wide system. We have the capability to efficiently resolve these issues and are dedicating all necessary resources to meet our contractual commitments.... We ... are confident in our ability to address this issue, and are making good progress towards mutually agreed upon timelines.” *Id.*

57. Vemuri added on the call (at 4), “This is the sixth consecutive quarter that we have shown year-over-year margin expansion and adjusted EBITDA growth. We are clearly on the right track towards our long-term goals.”

**The Truth Is Revealed**

58. Before the market opened on November 7, 2018, Conduent issued a press release announcing its third quarter 2018 results in which earnings per share missed Wall Street

estimates by 1.4% and revenues missed by 2.8%. The Company also lowered fiscal 2018 revenue guidance 2.5%, lowered adjusted EBITDA [earnings before interest taxes depreciation and amortization] guidance 4.4% and lowered adjusted free cash flow guidance by 12.8%.

59. The press release stated that “[o]ur updated guidance reflects recent technology and infrastructure performance issues which are being addressed.”

60. During the ensuing earnings call, Vemuri blamed the lowered outlook on the “continued suboptimal performance from an inherited legacy technology vendor. The performance issues stem from the vendor’s inability to deliver on service level agreements, lack of responsiveness to Conduent’s needs and poorly structured contracts which we inherited” and an “outdated and historically under-invested legacy IT infrastructure has caused major disruption to our operations and impacted client and delivery performance.”

61. On the call, Conduent’s CEO said “we did inherit a very challenged infrastructure” and “we have addressed this issue for the last six to seven months” and “I’ve characterized it as at one point in time our infrastructure being fifth world” and “So again not new, got amplified suddenly.”

62. Several analysts questioned Vemuri and Webb-Walsh regarding the “inherited legacy technology vendor” and “outdated and historically under-invested legacy IT infrastructure.” It was only then that investors learned the truth about the Company’s undisclosed problems.

63. First, in response to a question from research analyst Puneet Jain with the investment firm JPMorgan, “we did inherit a very challenged infrastructure both from a network perspective, the quality of the assets and unfortunately a contract that necessitated us to continue to work with the service provider that we had engaged with prior to the formation of



Conduent.”

64. Jim Suva, an analyst from Citigroup, expressed concern that Conduent had been withholding this troubling information concerning service providers over the prior year:

Things like outdated infrastructure and such shouldn't be a surprise today, and now they're really kind of coming out. So what did you uncover or is this just a new look under the covers or a new chapter, or how should we think about why now as opposed to 12, 14, 15, 18 months ago?”

65. Vemuri acknowledged that these problems had existed for some time:

From an infrastructure and network perspective the work started last year, it takes time for it to sort of unravel or for the results to - good or bad, to become - to be revealed. And since we were constrained by the service provider that we used, we were doubly challenged, and this sort of blew up in our face if you will or got amplified as we moved more and more of our capabilities and our business from labor base to more technology based and the amplification became extremely apparent in our results as you have seen in this particular quarter. This is not a new issue. We've been addressing this for a while. The impact of this has suddenly accelerated and got amplified.... So again not new, got amplified suddenly.

66. After the call, Brian Essex, the Morgan Stanley analyst following Conduent, lowered (i) “2018 and 2019 revenue estimates to \$5.37bn (vs. 5.48bn prior) and \$4.74 bn (vs. \$4.78bn prior), respectively,” (ii) “adjusted 2018 and 2019 EBITDA estimates ... to \$642mm and \$647mm, respectively,” and the “price target ... to \$16.” Essex identified the rationale for his reduced expectations as including:

**Legacy technology troubles.** Issues around legacy technology, both inherited subcontractor contracts as well as underinvestment in infrastructure, caused delays in delivery performance. CNDT's poorly structured vendor contracts impacted the company's ability to deliver on service legal agreements, resulting in penalties to CNDT. Separately, legacy IT infrastructure caused disruptions to operations, which negatively impacted client delivery.

67. Frank Atkins, the research analyst with SunTrust Robinson Humphrey, reduced his price target on Conduent from \$28.00 to \$18.00 a share and commented on the “loss of credibility in management and guidance as a more positive tone was conveyed at recent investor

events.” On this news, on November 7, 2018, Conduent common stock fell \$5.60 per share to \$13.62, or down 29.1% on very heavy volume.

**COUNT 1**

**Against Defendants for Violation of Sections 10(b) of  
The Exchange Act and Rule 10b-5 Thereunder**

68. Plaintiff incorporates each of the foregoing paragraphs as if fully set forth herein.

69. Defendants participated in a course of conduct involving misrepresentation and concealment of adverse material information about the business of Conduent as specified herein.

70. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of fraudulent conduct as alleged herein in an effort to assure investors of Conduent’s progress, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statement made about Conduent and its business, in light of the circumstances under which they were made, not misleading. This conduct operated as a fraud and deceit upon the purchasers of Conduent during the Class Period.

71. The Individual Defendants are liable as direct participants in the wrongs complained of herein.

72. Had Plaintiff and the other members of the Class known of the material adverse information not disclosed by defendants, or had they been aware of defendants’ material misstatements, they would not have purchased Conduent at artificially inflated prices.

73. Plaintiff and the Class were injured because the risks that materialized were risks of which they were unaware as a result of defendants’ misrepresentations, omissions and other

fraudulent conduct alleged herein. The decline in the price of Conduent was caused by the public dissemination of the true facts, which were previously concealed or hidden. Absent defendants' wrongful conduct, plaintiffs and the Class would not have been injured.

74. The price of Conduent declined materially upon public disclosure of the true facts which had been misrepresented or concealed, as alleged in this complaint. Plaintiff and other members of the Class have suffered substantial damages as a result of the wrongs alleged herein.

75. By reason of the foregoing, defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

## **COUNT II**

### **Against Individual Defendants** **Pursuant to Section 20(a) of the Exchange Act**

76. Plaintiff incorporates by reference and realleges each of the foregoing allegations.

77. The Individual Defendants had direct involvement in the day-to-day operations of the Company and had the power to control or influence the particular statements giving rise to the securities violations as alleged herein, and exercised the same.

78. As set forth above in Count I, Conduent violated Section 10(b) and Rule 10b-5 promulgated thereunder by its acts and omissions as alleged in this Complaint.

79. By virtue of his position as Chairman and Chief Executive Officer of Conduent, defendant Vemuri is liable for the company's violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as alleged in Count I, pursuant to Section 20(a) of the Exchange Act.

80. By virtue of his position as Chief Financial Officer of Conduent, defendant

Webb-Walsh is liable for the company's violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as alleged in Count I, pursuant to Section 20(a) of the Exchange Act.

81. As a result of the deceptive practices and false and misleading statements and omissions, the market price of Conduent's common shares was artificially inflated during the Class Period. In ignorance of the false and misleading nature of the representations described above and the deceptive and manipulative devices employed by defendants, plaintiff and the other members of the Class, in reliance on either the integrity of the market and/or directly on the statements and reports of defendants, purchased Conduent's common shares at artificially inflated prices.

82. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

83. By virtue of the foregoing, the Individual Defendants violated Section 20(a) of the Exchange Act.

84. Plaintiff and the other members of the Class have been damaged by the violations as described in this Count and seek recovery for the damages caused thereby.

### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff, on behalf of itself and the other members of the Class, prays for judgment as follows:

1. Declaring this action to be a proper class action maintainable pursuant to Rule 23(b)(3) of the Fed.R.Civ.P. and declaring plaintiff to be a proper Class representative;
2. Awarding plaintiff and the other members of the Class damages suffered as a

result of the wrongs complained of herein, together with appropriate interest;

3. Awarding plaintiff and the other members of the Class their costs and expenses of this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

4. Awarding plaintiff and the other members of the Class such other and further relief as may be just and proper under the circumstances.

**JURY DEMAND**

Plaintiff demands a trial by jury for all claims so triable.

Dated: March 8, 2019

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